

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2001-118

July 25, 2001

NORTHERN UTILITIES, INC.,
Proposed Cost of Gas
Factor for the 2001
Summer Period – Mid-Course Correction

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

We approve Northern Utilities, Inc.'s (Northern) proposed mid-course Cost of Gas Factor (CGF) effective August 1, 2001 through October 31, 2001, as reflected in its July 20, 2001 filing.

II. PROCEDURAL HISTORY

On July 5, 2001, Northern filed with this Commission an application pursuant to 35-A M.R.S.A. § 4703 and Chapter 43(2) of the Commission's Rules for a mid-course correction of its summer period cost of gas factor (CGF). Northern asserts that this rate change is necessary because of the significant decreases in gas commodity costs that are forecasted for the remaining summer period. The filing states that updated forecasted supplier prices have decreased the Company's expected commodity costs from \$7,900,972, as originally filed on April 13, 2001, to \$6,187,707. Accordingly, Northern projects an over-collection of \$1,713,265 for the remaining summer period if its rates are not changed. Northern stated that it would file the estimated amount of any over-collection for May and June once it had closed its books for June 2001.

On July 13, 2001, Northern filed a letter stating that, as of the close of its books for June 2001, the actual over-collection as of that date for May and June 2001 was \$246,232. It had not yet estimated any over- or under- collection for July. Based on the May and June over-collection amount, it proposed to further reduce the CGF by \$0.0412 for each class.

On July 9, 2001, the Commission issued a Notice of Application to interveners in Northern's prior CGF case, Docket No. 2000-680, and by publication in newspapers of general circulation in Northern's service area. This notice invited interested persons to petition for intervention in this matter by July 16, 2001. No petitions were received.¹

¹ The Office of Public Advocate (OPA) is already an intervener in this docket, which was opened when Northern made its original Summer 2001 CGF filing.

A hearing was held on July 18, 2001 at which the parties and Advisory Staff discussed the reasonableness of the NYMEX price upon which Northern's revised rates are based, the expectations about additional summer period over- or under-collections, and the reasonableness of returning the May and June over-collection to ratepayers. In response to Staff's concerns, Northern stated that, although the June actual collection amounts were unconfirmed as yet, additional over-collections were anticipated for July, due to substantial market price reductions for gas for the month. Northern contended that any July over-collections would provide a "cushion" to offset any uncertainty in the preliminary calculation of May and June over-collection amounts. The parties asked Northern to file its estimate of market price change-related July over-collections and agreed that if July over-collections were in the range of \$70,000 to \$100,000, they would provide adequate insurance against the possibility that these preliminary calculations and other possible factors would result in an end of period under-collection.

On July 20, 2001, Northern filed a response to Oral Data Request No. 1 with its estimate of the amount of July gas cost price change-related over-collections. An additional hearing was held on July 20, 2001 to discuss the July over-collection amount and whether the Company should make any further adjustments to the rates for the remainder of the summer period. At the hearing, the Company agreed to flow back all over-collections through July, and to file revised rate schedules reflecting this.

On July 23, 2001, Northern proposed the following rates:

Class	Rate per Ccf
Residential - Heat & Non-Heat (R-2 & R-1)	\$0.7826
Small Commercial - Low Winter Use (G-50)	0.7158
Small Commercial - High Winter Use (G-40)	0.7910
Medium Commercial - Low Winter Use (G-51)	0.7147
Medium Commercial - High Winter Use (G-41)	0.7798
Large Commercial/Industrial – Low Winter Use (G-52)	0.7226
Large Commercial/Industrial – High Winter Use (G-42)	0.7254

The Commission considered the revised mid-course correction at its regular deliberative session on July 24, 2001.

III. RECORD

The record in this proceeding includes all filings, data responses, transcripts, and any other materials provided in this proceeding.

IV. DISCUSSION AND DECISION

At its current rate, Northern projects a total period over-collection of approximately \$1,713,265, representing approximately 20.6% of its total gas costs and 27.7% of its gas commodity costs, due to significant decreases in gas supply prices for the summer period over original projections. Northern has not made any changes in its sales forecasts for the summer period.

Gas futures prices have decreased approximately 40% per mmbtu since Northern's original summer 2001 gas adjustment rate was approved on April 24, 2001. Without a mid-course adjustment, this significant market price decrease would result in a total period over-collection of approximately 27.7% of Northern's total commodity costs for the summer period. Consequently, we conclude that a mid-course correction is warranted.

Since Northern's filing on July 5, 2001, the gas futures prices have fluctuated from the July 2, 2001 closing prices used in the filing. During the period July 2, 2001 to July 17, 2001, the NYMEX natural gas futures prices for August through October 2001 varied from the July 2 prices in the range of -2% to +10%. However, we do not feel that these fluctuations are great enough to warrant a change in the date Northern used to set its mid-course CGF rate.

Northern filed with the Commission the amount of its actual over-collection for the period May through June 2001. According to its accounting records, the over-collection is \$246,232 as of June 30, 2001. At the hearing, Northern confirmed that the accounting records are still subject to change due to necessary accounting adjustments for the month of June that would not normally be made until July. Northern proposed to flow-back the over-collection for May and June during the remaining months of the summer period and acknowledged that anticipated July over-collections would act as a hedge against future variances between actual collections and estimated recoveries.

Northern also estimates the July over-collection resulting from the decrease in commodity costs due to market price changes to be \$424,806. Due to the manner in which Northern calculated the revised rates to be effective August 1, 2001, approximately \$177,819 of the July over-collection will be flowed back through the lower rates during the period August 1, 2001 through October 31, 2001 without any further revision to the rates. This leaves a net over-collection of \$246,987 for July that could potentially be returned to ratepayers. Northern agreed to the OPA's request to include this additional amount of \$246,987 in its over-collection flow-back to be effective August 1, 2001.

Typically, we address whether to further adjust rates for any under- or over-collections separately during mid-course correction cases depending on the effect of this adjustment coupled with the rate change due to changes in Northern's cost of gas for the remaining period. In the current case, it is important to flow back to Northern's customers' over-collections as soon as possible to ensure that the same customers who have paid for

the higher costs get the reduction in rates. Therefore, we approve Northern's proposal to flow back the over-collection of \$493,219, which includes \$246,232 for May and June and \$246,987 for July, during the period August 1, 2001 through October 31, 2001.

IV. CONCLUSION

We further find that the tariff Northern filed on July 23, 2001 complies with the requirements of this order.

Accordingly, we

ORDER

1. That Northern Utilities, Inc.'s Thirty-Seventh Revised Sheet No. 20.1 constituting its Cost of Gas Factor for the period August 1, 2001 through October 31, 2001, file dated **July 20, 2001**, is approved;
2. That Northern Utilities Inc.'s Thirty-Seventh Revised Sheet No. 20.1 constituting its Cost of Gas Factor for the period August 1, 2001 through October 31, 2001 filed on July 5, 2001 and July 13, 2001 are not approved.

Dated at Augusta, Maine, this 25th day of July, 2001.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch

Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.